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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the SEC. Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

FEB 17 2005

826

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Winston Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

121-E Reynolda Village

(No. and Street)

Winston-Salem

(City)

North Carolina

(State)

27106

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

William F. Marshall(336) 761-1900

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Butler & Burke, LLP, CPA's

(Name - if individual, state last, first, middle name)

100 Club Oaks Court, Suite A. Winston-Salem, NC 27104

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 02 2005

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FINANCIAL

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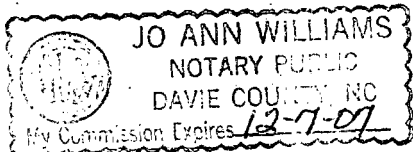
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, William Marshall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Winston Securities, Inc., as of December 31, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Jo Ann Williams
Notary Public

William F Marshall
Signature
PRESIDENT
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal accounting control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

Butler & Burke, LLP, CPA's

70

ADDRESS

Number and Street

City

State

Zip Code

100 Club Oaks Court, Suite A

Winston-Salem,

NC

27104

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Check One

(X) Certified Public Accountant

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() Public Accountant

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() Accountant not resident in United States or
any of its possessions

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50	51	52	5	3			



Stockholders and Directors
First Winston Securities, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial condition of First Winston Securities, Inc. as of December 31, 2004, and the related statements of income (loss), changes in ownership equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Winston Securities, Inc. as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
January 13, 2005

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

First Winston Securities, Inc.

N2

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STATEMENT OF FINANCIAL CONDITION

As of (MM/DD/YY) **12/31/04**

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SEC FILE NO. **8-38999**

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Consolidated

198

Unconsolidated

199

ASSETS

	Allowable	Nonallowable	Total
1. Cash	\$ 596,912		\$ 596,912
	200		750
2. Cash segregated in compliance with federal and other regulations	105,408		105,408
	210		760
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
1. Includable in "Formula for Reserve Requirements"	220		
2. Other	230		770
B. Securities borrowed:			
1. Includable in "Formula for Reserve Requirements"	240		
2. Other	250		780
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	260		
2. Other	270		790
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	280		
2. Other	290		800
E. Other	300	550	810
4. Receivables from customers:			
A. Securities accounts:			
1. Cash and fully secured accounts	50	310	
2. Partly secured accounts		320	560
3. Unsecured accounts		570	580
B. Commodity accounts		330	580
C. Allowance for doubtful accounts		335	590
D. Receivables from non-customers:			
A. Cash and fully secured accounts		340	
B. Partly secured and unsecured accounts		350	600
5. Securities purchased under agreements to resell		360	605
6. Securities and spot commodities owned, at market value:			
A. Bankers acceptances, certificates of deposit and commercial paper		370	
B. U.S. and Canadian government obligations	15,310	380	
C. State and municipal government obligations	560,944	390	
D. Corporate obligations		400	

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See accompanying notes to financial statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

First Winston Securities, Inc.

STATEMENT OF FINANCIAL CONDITION

ASSETS

	<u>Allowable</u>	<u>Nonallowable</u>	<u>Total</u>
E. Stocks and warrants	\$ 40,800	410	
F. Options		420	
G. Arbitrage		422	
H. Other securities		424	
I. Spot commodities		430	
			\$ 617,054 850
8. Securities owned not readily marketable:			
A. At Cost .. \$	130		
B. At estimated fair value	440	\$ 610	850
9. Other investments not readily marketable:			
A. At Cost .. \$	140		
B. At estimated fair value	450	620	870
10. Securities borrowed under subordination agree-			
ments and partners' individual and capital			
securities accounts, at market value:			
A. Exempted			
securities .. \$	150		
B. Other .. \$	160	460	630
11. Secured demand notes-			
market value of collateral:			
A. Exempted			
securities .. \$	170		
B. Other .. \$	180	470	640
12. Memberships in exchanges:			
A. Owned, at market			
value. \$	190		
B. Owned at cost		650	
C. Contributed for use of company,			
at market value		660	900
13. Investment in and receivables from			
affiliates, subsidiaries and			
associated partnerships	480	670	910
14. Property, furniture, equipment, leasehold			
improvements and rights under			
lease agreements:			
At cost (net of accumulated			
depreciation and amortization)	490	2,728 680	2,728 920
15. Other Assets:			
A. Dividends and interest receivable	10,076 500	690	
B. Free shipments		510 700	
C. Loans and advances		520 710	
D. Miscellaneous		530 720	
16 TOTAL ASSETS	\$ 1,329,500 540	\$ 13,059 740	\$ 20,407 930
			1,342,559 940

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

First Winston Securities, Inc.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities *</u>	<u>Non-A.I. Liabilities *</u>	<u>Total</u>
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreements ..		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other	1060	1280	1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		1510
2. Other	1080	1290	1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other	1105	1310	1560
E. Other	1110	1320	1570
20. Payable to customers:			
A. Securities accounts -including free credits of \$ 950	1120		1580
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value - including arbitrage of \$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	356 1170		1640
C. Income taxes payable	1180		1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities	1190		1670
F. Other	1,032 1200	1380	1680

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

BASIC FILERS ONLY

See accompanying notes to financial statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/04

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

Liabilities	A.I. Liabilities *	Non-A.I. Liabilities *	Total
24. Notes and mortgages payable:			
A. Unsecured	\$ 1210		\$ 1690
B. Secured	\$ 1211	\$ 1390	\$ 1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings		1400	1710
1. From outsiders \$ 970			
2. Includes equity subordination (15c3-1 (d)) of \$ 980			
B. Securities borrowings, at market value:			
from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. From outsiders \$ 1000			
2. Includes equity subordination (15c3-1 (d)) of \$ 1010			
D. Exchange memberships contributed for use of company at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
26. TOTAL LIABILITIES	\$ 1,388 1230	\$ 1450	\$ 1,388 1760

Ownership Equity

27. Sole proprietorship	\$ 1770
28. Partnership- limited partners \$ 1020	1780
29. Corporation:	
A. Preferred stock	1791
B. Common stock	542,859 1792
C. Additional paid-in capital	1793
D. Retained earnings	798,312 1794
E. Total	1,341,171 1795
F. Less capital stock in treasury	1796
30. TOTAL OWNERSHIP EQUITY	\$ 1,341,171 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY	\$ 1,342,559 1810

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*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

BASIC FILERS ONLY

PART II—FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER

First Winston Securities, Inc.

For the period (MMDDYY) from 01/01/04

3932

12/31/04

3933

Number of months included in this statement

3931

REVENUE

STATEMENT OF INCOME (LOSS)

1. Commissions:		
a. Commissions on transactions in listed equity securities executed on an exchange	\$	3935
b. Commissions on transactions in exchange listed equity securities executed over-the-counter		3937
c. Commissions on listed option transactions		3938
d. All other securities commissions		3939
e. Total securities commissions		3940
2. Gains or losses on firm securities trading accounts		
a. From market making in over-the-counter equity securities		3941
i. Includes gains or (losses) OTC market making in exchange listed equity securities	3943	
b. From trading in debt securities	1,376,492	3944
c. From market making in options on a national securities exchange		3945
d. From all other trading		3949
e. Total gains or (losses)		3950
3. Gains or losses on firm securities investment accounts		
a. Includes realized gains (losses)	4235	
b. Includes unrealized gains (losses)	4236	
c. Total realized and unrealized gains (losses)		3952
4. Profits or (losses) from underwriting and selling groups	(29,877)	3955
a. Includes underwriting income from corporate equity securities	4237	
5. Margin interest		3960
6. Revenue from sale of investment company shares		3970
7. Fees for account supervision, investment advisory and administrative services		3975
8. Revenue from research services		3980
9. Commodities revenue		3990
10. Other revenue related to securities business		3985
11. Other revenue	36,758	3995
12. Total revenue	\$ 1,383,373	4030

EXPENSES

13. Registered representatives' compensation	\$ 525,998	4110
14. Clerical and administrative employees' expenses	145,890	4040
15. Salaries and other employment costs for general partners, and voting stockholder officers	314,594	4120
a. Includes interest credited to General and Limited Partners capital accounts	4130	
16. Floor brokerage paid to certain brokers (see definition)		4055
17. Commissions and clearance paid to all other brokers (see definition)		4145
18. Clearance paid to non-brokers (see definition)	63,277	4135
19. Communications	61,878	4060
20. Occupancy and equipment costs	30,087	4080
21. Promotional costs		4150
22. Interest expense	7,137	4075
a. Includes interest on accounts subject to subordination agreements	4070	
23. Losses in error account and bad debts		4170
24. Data processing costs (including service bureau service charges)	8,913	4186
25. Non-recurring charges		4190
26. Regulatory fees and expenses	8,462	4185
27. Other expenses	100,605	4100
28. Total expenses	\$ 1,266,841	4200

NET INCOME

29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)	\$ 116,532	4210
30. Provision for Federal income taxes (for parent only)	0	4220
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above	0	4222
a. After Federal income taxes of	4238	
32. Extraordinary gains (losses)	0	4224
a. After Federal income taxes of	4239	
33. Cumulative effect of changes in accounting principles	0	4225
34. Net income (loss) after Federal income taxes and extraordinary items	\$ 116,532	4230

MONTHLY INCOME

35. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	4211
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See accompanying notes to financial statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

Capital Withdrawals

PART II

BROKER OR DEALER

First Winston Securities, Inc.

For the period (MMDDYY) from 01/01/04 to 12/31/04

RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, which have not been deducted in the computation of net capital.

1. Equity Capital

A. Partnership Capital:

1. General Partners	Y \$	4700
2. Limited		4710
3. Undistributed Profits		4720
4. Other (describe below)		4730
5. Sole Proprietorship		4735

B. Corporation Capital:

1. Common Stock		4740
2. Preferred Stock		4750
3. Retained Earnings (Dividends and Other)	Y	4760
4. Other (describe below)		4770

2. Subordinated Liabilities

A. Secured Demand Notes		4780
B. Cash Subordinations		4790
C. Debentures		4800
D. Other (describe below)		4810

3. Other Anticipated Withdrawals

A. Bonuses		4820
B. Voluntary Contributions to Pension or Profit Sharing Plans	Y	4860
C. Other (describe below)		4870

Total \$ 4880

4. Description of Other

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period	\$	1,416,266	4240
A. Net income (loss)		116,532	4250
B. Additions (Includes non-conforming capital of	\$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From Item 1800)	\$	1,341,171	4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period	\$	0	4300
A. Increases			4310
B. Decreases	(4320
4. Balance, end of period (From item 3520)	\$	0	4330

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FIRST WINSTON SECURITIES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

OPERATING ACTIVITIES

Net income	\$ 116,532
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	329
(Increase)/Decrease in operating assets:	
Securities owned, net	719,562
Interest receivable	2,252
Other assets	(10,381)
Increase/(Decrease) in operating liabilities:	
Accrued expenses	<u>394</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>828,688</u>

INVESTING ACTIVITIES

Purchase of property and equipment	<u>(1,531)</u>
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	<u>(1,531)</u>

FINANCING ACTIVITIES

Repayment of secured short term bank loans, net	(34,000)
Dividends paid	<u>(191,627)</u>
<u>NET CASH USED IN FINANCING ACTIVITIES</u>	<u>(225,627)</u>

<u>INCREASE IN CASH</u>	601,530
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Cash, Beginning	<u>100,790</u>
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Cash, Ending	<u>\$ 702,320</u>
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Supplemental cash flow disclosures:	
Interest paid	<u>\$ 7,137</u>

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First Winston Securities, Inc. is registered as a dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The Company deals primarily in municipal bonds and performs underwriting services only as a participating underwriter. The Company's customers are generally located in North Carolina.

Securities Transactions

Securities transactions (and related revenues and expenses) are recorded on a settlement date basis, generally the third business day following the trade date.

Securities

Marketable securities owned by the Company are valued at market value. Net unrealized gains and losses are reflected in operations. Securities not readily marketable are valued at fair value as determined by management.

Underwriting Service

Underwriting fees or expenses are recognized when the underwriting is completed and the income or expense is reasonably determinable.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Receivables From and Payables to Customers and Dealers

Amounts receivable from and payable to customers and dealers represent the contract amount of securities which have not been received or delivered by the settlement date.

Property and Depreciation

Property is recorded at cost. Depreciation is generally computed using accelerated methods over estimated useful lives of five to seven years.

Income Taxes

The Company has elected to be taxed under the provision of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for income taxes because the Company does not incur federal or state income taxes. Instead, its earnings and losses are included in the stockholders' personal income tax returns and are taxed based on their personal tax strategies.

FIRST WINSTON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2004:

Vehicle	\$ 39,345
Leasehold improvements	1,905
Office furniture and equipment	<u>60,038</u>
	101,288
Less: accumulated depreciation and amortization	<u>(98,560)</u>
	<u>\$ 2,728</u>

NOTE C: SECURED SHORT TERM BANK LOANS

At December 31, 2004, the Company had agreements with a bank to borrow funds of up to \$20,000,000 as needed on a secured basis to carry inventory and to cover failed transactions. Interest on these loans is charged at LIBOR plus 2.5% (4.92%) at December 31, 2004. The loans are fully collateralized by the Company's trading inventory. No amounts were owed on these loans at December 31, 2004. The agreements with the bank expire on May 30, 2005.

NOTE D: COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into underwriting commitments and when-issued contracts. At December 31, 2004, the Company expected no losses from such open commitments.

NOTE E: LEASES

The Company leases its office space under a noncancellable operating lease. Future minimum lease payments under the terms of this agreement at December 31, 2004 are as follows:

2005	\$ 7,704
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Rent expense under this lease was \$18,339 in 2004.

NOTE F: MINIMUM NET CAPITAL REQUIREMENTS

The Company, as a registered securities broker-dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). This rule prohibits a broker-dealer from engaging in any securities transaction when its aggregate indebtedness exceeds 15 times its net capital, as those terms are defined by the rule. At December 31, 2004, the Company had net capital of \$1,292,303 which exceeded its required net capital of \$100,000 and its net capital ratio was .0011 to 1.

*Butler
& Burke*

L.L.P.

Certified Public
Accountants

**SUPPLEMENTARY INFORMATION REQUIRED
BY SEC RULE 17a-5**

Stockholders and Directors
First Winston Securities, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of First Winston Securities, Inc. for the year ended December 31, 2004, and have issued our report thereon dated January 13, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information, as applicable, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Butler & Burke LLP

Winston-Salem, North Carolina
January 13, 2005

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/04

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$ 1,341,171	3480
2. Deduct: Ownership equity not allowable for net capital	()	3490
3. Total ownership equity qualified for net capital	1,341,171	3500
4. Add:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		3520
B. Other (deductions) or allowable credits (List)		3525
5. Total capital and allowable subordinated liabilities	\$ 1,341,171	3530
6. Deductions and/or charges:		
A. Total non-allowable assets from		
Statement of Financial Condition (Note B and C)	\$ 13,059	3540
1. Additional charges for customers' and		
non-customers' security accounts		3550
2. Additional charges for customers' and		
non-customers' commodity accounts		3560
B. Aged fail-to-deliver:		3570
1. Number of items	3450	
C. Aged short security differences-less		
reserve of	\$ 3460	3580
number of items	3470	
D. Secured demand note deficiency		3590
E. Commodity futures contracts and spot commodities		
proprietary capital charges		3600
F. Other deductions and/or charges		3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ..		3615
H. Total deductions and/or charges	13,059	3620
7. Other additions and/or allowable credits (List)		3630
8. Net Capital before haircuts on securities positions	\$	3640
9. Haircuts on securities: (computed, where applicable,		
pursuant to 15c3-1 (f)):		
A. Contractual securities commitments	1,911	3660
B. Subordinated securities borrowings		3670
C. Trading and Investment securities:		
1. Bankers' acceptances, certificates of deposit		
and commercial paper		3680
2. U.S. and Canadian government obligations	900	3690
3. State and municipal government obligations	26,878	3700
4. Corporate obligations		3710
5. Stocks and warrants	6,120	3720
6. Options		3730
7. Arbitrage		3732
8. Other securities		3734
D. Undue concentration		3650
E. Other (list)		3736
10. Net Capital	\$ 1,292,303	3740
		3750

OMIT PENNII

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

as of 12/31/04

First Winston Securities, Inc.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	<u>92</u>	3750
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	<u>100,000</u>	3750
13. Net capital requirement (greater of line 11 or 12)	\$	<u>100,000</u>	3760
14. Excess net capital (line 10 less 13)	\$	<u>1,192,303</u>	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	<u>1,292,164</u>	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.L. liabilities from Statement of Financial Condition	\$	<u>1,388</u>	3790
17. Add:			
A. Drafts for immediate credit	\$	<u>3800</u>	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	<u>3810</u>	
C. Other unrecorded amounts (List)	\$	<u>3820</u>	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c) (1) (vii))	\$		3830
19. Total aggregate indebtedness	\$	<u>1,388</u>	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%		3850
21. Percentage of Aggregate Indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 11)	%	<u>.0011</u>	3850

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B N/A

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%		3850
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less Item 4880 page 11 ÷ by line 17 page 8)	%		3850
28. Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$		3920

OTHER RATIOS

Part C N/A

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%		3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%		3850

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FIRST WINSTON SECURITIES, INC.
AS OF DECEMBER 31, 2004

RECONCILIATION OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES
AND EXCHANGE COMMISSION WITH COMPANY'S COMPUTATION (included in Part II of X-17A-5 as of
December 31, 2004)

There is no material difference in net capital computed in this report and that reported by the Company in Part
II of Form X-17A-5 as of December 31, 2004.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/04

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)	\$	4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)		4350
3. Monies payable against customers' securities loaned (see Note C)		4360
4. Customers' securities failed to receive (see Note D)		4370
5. Credit balances in firm accounts which are attributable to principal sales to customers		4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		4390
7. **Market value of short security count differences over 30 calendar days old		4400
8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days		4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days		4420
10. Other (List)		4425
11. TOTAL CREDITS	\$	4430

DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	\$	4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		4450
14. Failed to deliver of customers' securities not older than 30 calendar days		4460
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F)		4465
16. Other (List)		4469
17. **Aggregate debit items	\$	4470
18. **less 3% (for alternative method only — see Rule 15c3-1 (f) (5) (ii))	()	4471
19. **TOTAL 15c3-3 DEBITS	\$	4472

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	\$	4480
21. Excess of total credits over total debits (line 11 less line 19)		4490
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits		4500
23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period		4510
24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities		4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities	\$	4530
26. Date of deposit (MMDDYY)		4540

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FREQUENCY OF COMPUTATION

27. Daily ☐ 4332 Weekly ☐ 4333 Monthly ☐ 4334

**In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/04

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|--|------|------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | ✓ | 4550 |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained | X | 4560 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm: | | 4570 |
| | 4335 | 4580 |
| D. (k) (3)—Exempted by order of the Commission | | 4590 |

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and the number of items of:

- | | | | |
|--|--|--|---------|
| 1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. Notes A and B | | | \$ 4580 |
| A. Number of Items | | | 4560 |
| 2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D | | | \$ 4580 |
| A. Number of Items | | | 4580 |
| OMIT PENNIE | | | |
| 3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 | | | |
| Yes | | | 4584 |
| No | | | 4590 |

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/04

SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

CUSTOMERS' REGULATED COMMODITY FUTURES ACCOUNTS

SEGREGATION REQUIREMENTS

1. Net ledger balance:		
A. Cash	\$	7010
B. Securities (at market)		7020
2. Net unrealized profit (loss) in open futures contracts traded on a contract market		7030
3. Exchange traded options:		
A. Add: Market Value of open option contracts purchased on a contract market		7032
B. Deduct: Market Value of open option contracts granted (sold) on a contract market	(7033
4. Net equity (deficit) (total of 1, 2 and 3)		7040
5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades		7050
6. Amount required to be segregated (total of 4 and 5)		7060

FUNDS ON DEPOSIT IN SEGREGATION

7. Deposited in segregated funds bank accounts:		
A. Cash	\$	7070
B. Securities representing investments of customers' funds (at market)		7080
C. Securities held for particular customers or option customers in lieu of cash (at market)		7090
8. Margins on deposit with clearing organizations of contract markets:		
A. Cash		7100
B. Securities representing investments of customers' funds (at market)		7110
C. Securities held for particular customers or option customers in lieu of cash (at market)		7120
9. Settlement due from (to) clearing organizations of contract markets		7130
10. Exchange traded options:		
A. Add: Unrealized receivables for option contracts purchased on contract markets		7132
B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets		7133
11. Net equities with other FCMs		7140
12. Segregated funds on hand:		
A. Cash		7150
B. Securities representing investments of customers' funds (at market)		7160
C. Securities held for particular customers in lieu of cash (at market)		7170
13. Total amount in segregation (total of 7 through 12)	\$	7180
14. Excess (insufficiency) funds in segregation (13 minus 6)	\$	7190

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

First Winston Securities, Inc.

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed
withdrawal or
Accrual
See below for
code to enter

N/A

Name of Lender or Contributor

Insider or
Outsider?
(In or Out)

Amount to be With-
drawn (cash amount
and/or Net Capital
Value of Securities)

(MMDDYY)
Withdrawal or
Maturity
Date

Expect
to
Renew
(yes or no)

Y	4600	4601	4602	\$	4603	4604	4605
Y	4610	4611	4612		4613	4614	4615
Y	4620	4621	4622		4623	4624	4625
Y	4630	4631	4632		4633	4634	4635
Y	4640	4641	4642		4643	4644	4645
Y	4650	4651	4652		4653	4654	4655
Y	4660	4661	4662		4663	4664	4665
Y	4670	4671	4672		4673	4674	4675
Y	4680	4681	4682		4683	4684	4685
Y	4690	4691	4692		4693	4694	4695

TOTAL \$ 4699*

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*To agree with the total on Recap (Item No. 4880)

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:

DESCRIPTION

1. Equity Capital
2. Subordinated Liabilities
3. Accruals
4. 15c3-1(c)(2)(iv) Liabilities

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

First Winston Securities, Inc.

as of **12/31/04**

FINANCIAL AND OPERATIONAL DATA

N/A

1. Month end total number of stock record breaks unresolved over three business days		Valuation		Number	
A. breaks long		\$	4890		4900
B. breaks short		\$	4910		4920
2. Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter? (Check one)					
		Yes	<input type="checkbox"/> 4930	No	<input type="checkbox"/> 4940
A. If response is negative attach explanation of steps being taken to comply with Rule 17a-13.					
3. Personnel employed at end of reporting period					
A. Income producing personnel		4950			
B. Non-income producing personnel (all other)		4960			
C. Total		4970			
4. Actual number of tickets executed during current month of reporting period		4980			
5. Number of corrected customer confirmations mailed after settlement date		4990			
		No. of Items	Debit (Short Value)	No. of Items	Credit (Long Value)
6. Money differences	5000	\$	5010	5020	\$
7. Security suspense accounts	5040	\$	5050	5060	\$
8. Security difference accounts	5080	\$	5090	5100	\$
9. Commodity suspense accounts	5120	\$	5130	5140	\$
10. Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and intercompany accounts which could result in a charge unresolved amounts over 30 calendar days					
	5160	\$	5170	5180	\$
11. Bank account reconciliations-unresolved amounts over 30 calendar days					
	5200	\$	5210	5220	\$
12. Open transfers over 40 calendar days, not confirmed					
	5240	\$	5250	5260	\$
13. Transactions in reorganization accounts over 60 calendar days					
	5280	\$	5290	5300	\$
14. Total	5320	\$	5330	5340	\$
		No. of Items	Ledger Amount	Market Value	
15. Failed to deliver 5 business days or longer (21 business days or longer in the case of Municipal Securities)		5360	\$	5361	\$
16. Failed to receive 5 business days or longer (21 business days or longer in the case of Municipal Securities)		5363	\$	5364	\$
17. Security concentrations (See instructions in Part I)					
A. Proprietary positions		5370			
B. Customers' accounts under Rule 15c3-3		5374			
18. Total of personal capital borrowings due within six months		5378			
19. Maximum haircuts on underwriting commitments during the period		5380			
20. Planned capital expenditures for business expansion during next six months		5382			
21. Liabilities of other individuals or organizations guaranteed by respondent		5384			
22. Lease and rentals payable within one year		5386			
23. Aggregate lease and rental commitments payable for entire term of the lease					
A. Gross		5388			
B. Net		5390			

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Stockholders and Directors
First Winston Securities, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

In planning and performing our audit of the financial statements of First Winston Securities, Inc. (the Company), for the year ended December 31, 2004, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives.

Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U. S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the Commission's objectives.

This report is intended solely for the information and use of management, the SEC, The New York Stock Exchange and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

Butler & Burke LLP

Winston-Salem, North Carolina
January 13, 2005